

**DAYTON INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

Year Ended June 30, 2009

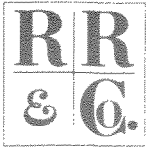
**DAYTON INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Dayton Independent School District
Dayton, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I (General Audit Requirements)*, *Appendix II (State Audit Requirements)* and *Appendix III of the Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

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internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the District. The combining and individual fund financial statements on pages 37 to 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
September 17, 2009**

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**DAYTON INDEPENDENT SCHOOL DISTRICT – DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

As management of the Dayton Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance, including activity funds, for the District was \$117,963. The ending cash balance, including activity funds, for the District was \$364,559.
- The General Fund had approximately \$7.0 million in revenue, which primarily consisted of local real estate and property taxes, the state program (SEEK), on-behalf payments, and motor vehicle taxes. Excluding inter-fund transfers and lease proceeds, there were \$6.8 million in General Fund expenditures.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district's total debt decreased by \$326 thousand during the current fiscal year. The 1999 issue was refunded by the issuance of \$1,290,000 in 2009 refunding bonds. On July 16, 2009, bond proceeds were delivered for a \$1,990,000 issue for high school and elementary school improvements.
- The District remains committed to adopting a competitive salary structure for teachers and other staff provided funding is available. A 1% mandated raise was implemented for all staff.
- The District assessed a 4% increase in property tax rates for 2009 in order to recover a portion of the reduction in state revenues that were decreased due to an increase in property valuation in 2009.
- The District's ending fund balances exceeded the state 2% reserve requirement.
- ARRA funds (American Recovery Reinvestment Act) were available for the District. Idea B, Idea B Preschool, Title I. Totaling \$189,366 for FY09.
- Construction began with renovation of DHS and LES for energy savings project. Bonds were sold late June, 2009.
- Food Service fund ended year in positive balance as compared to 07-08. Ending cash balance on June 30th was \$66,764. The board collected indirect costs in amount of \$35,592 from food service fund.
- Fixed Assets were scanned and reviewed. All assets are up to date in the system.

- Board refinanced an old bond issue for a cumulative savings of \$56,736.38 on 1999 Series.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service operations and day care services.

All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 13-19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2.732 million as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2008 and 2009

	2008	2009
Current Assets	\$ 349,953	\$ 1,029,191
Noncurrent Assets	4,708,000	4,496,463
Total Assets	<u>\$ 5,057,953</u>	<u>\$ 5,525,654</u>
Current Liabilities	\$ 490,693	\$ 692,051
Noncurrent Liabilities	2,462,669	2,101,437
Total Liabilities	<u>\$ 2,953,362</u>	<u>\$ 2,793,488</u>
Net Assets		
Investment in capital assets (net of debt)	\$ 2,113,844	\$ 2,228,141
Restricted	153,509	204,515
Unrestricted	(162,762)	299,510
Total Net Assets	<u>\$ 2,104,591</u>	<u>\$ 2,732,166</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2008 and 2009 of the District's governmental funds.

	2008	2009
Revenues:		
Local revenue sources	\$ 1,453,663	\$ 1,497,485
State revenue sources	6,873,693	6,418,174
Federal revenue	969,650	946,104
Interest income	28,870	8,590
Other	52,112	9,001
Total revenues	<u>9,377,988</u>	<u>8,879,354</u>
Expenses:		
Instruction	\$ 5,811,214	\$ 5,205,922
Student support services	391,814	354,114
Instructional staff support	413,215	440,295
District administration	421,396	443,889
School administration	525,695	452,930
Business support	330,020	294,996
Plant operations	858,505	696,312
Student transportation	134,681	130,431
Community service activities	132,186	126,863
Capital outlay	90,989	-
Debt service	463,818	1,755,603
Total expenses	<u>9,573,533</u>	<u>9,901,355</u>
Other Financing Sources (Uses)	<u>(5,976)</u>	<u>1,322,792</u>
Excess(deficit) of revenues over expenditure	\$ <u>(201,521)</u>	\$ <u>300,791</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

- General fund budget compared to actual revenue (net of on-behalf payments) varied slightly from line item to line item with the ending actual balance being \$236 thousand less than budget due to lower state SEEK payments.
- General fund budget expenditures to actual expenditures (net of on-behalf payments) varied from line item to line item with the ending actual balance being \$565 thousand less than budget.
- The ending general fund balance exceeded the budgeted amount by 342 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District added \$29,455 in new technology and other equipment. Debt decreased \$325,834 through retirement of bonds and payments on capital leases. The 1999 issue was refunded by the issuance of \$1,290,000 in 2009 refunding bonds. On July 16, 2009, bond proceeds were delivered for a \$1,990,000 issue for high school and elementary school improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Dayton Independent Schools' 2009-2010 Working Budget includes a contingency to ensure the ending fund balances of the 2009-2010 school year are at, or above, the required 2% reserve.

- Board approved mandated 1% salary increases for both certified and classified staff.
- ARRA SFSF (State Fiscal Stabilization Funds) – Board will apply for these funds. Eligible for \$408,093.
- Food Service program purchased new software (*Lunchbox*) for control and management of free and reduced lunch as well as handling lunch payments online for parents/staff.
- CERS (Classified Retirement) matching increased from 13.5% to 16.16%.
- One elementary position was eliminated.
- Board reduced extended days/field maintenance expense/two coaching positions to help with budget reductions.
- Bond proceeds in the amount of \$1,925,787 were received in July, 2009 for Energy Savings project renovation at DHS/LES.
- Board continuing to monitor Daycare Fund to make sure revenues will cover expenses. Continuation of program will be decided at end of 09-10 fiscal year.
- Board approved 4% increase in property taxes for 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to the Superintendent, Gary Rye at (859) 491-6565 or by mail at 200 Clay Street, Dayton, Kentucky 41074.

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DAYTON INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

June 30, 2009

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 465,870	\$ 66,764	\$ 532,634
Receivables			
Taxes	64,798	-	64,798
Accounts	42,314	-	42,314
Intergovernmental	256,451	26,277	282,728
Other - Local	-	-	-
Inventories	-	5,486	5,486
Prepaid expenses	2,726	-	2,726
Deferred charges	98,505	-	98,505
Total current assets	<u>930,664</u>	<u>98,527</u>	<u>1,029,191</u>
Capital assets not being depreciated	160,725	-	160,725
Capital assets, net of accumulated depreciation	<u>4,246,319</u>	<u>89,419</u>	<u>4,335,738</u>
Total assets	<u>5,337,708</u>	<u>187,946</u>	<u>5,525,654</u>
LIABILITIES			
Current Liabilities			
Fund cash overdraft	201,499	3,413	204,912
Accounts payable	91,992	-	91,992
Accrued salaries and benefits	625	-	625
Accrued interest payable	16,290	-	16,290
Deferred revenue	13,063	-	13,063
Bonds payable and capital leases-due within one year	<u>365,169</u>	<u>-</u>	<u>365,169</u>
Total current liabilities	<u>688,638</u>	<u>3,413</u>	<u>692,051</u>
Noncurrent Liabilities			
Accrued sick leave	198,284	-	198,284
Bonds payable and capital leases-due in more than one year	<u>1,903,153</u>	<u>-</u>	<u>1,903,153</u>
Total noncurrent liabilities	<u>2,101,437</u>	<u>-</u>	<u>2,101,437</u>
Total liabilities	<u>2,790,075</u>	<u>3,413</u>	<u>2,793,488</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,138,722	89,419	2,228,141
Restricted for:			
Capital projects	204,463	-	204,463
Debt service	52	-	52
Unrestricted	<u>204,396</u>	<u>95,114</u>	<u>299,510</u>
Total net assets	<u>\$ 2,547,633</u>	<u>\$ 184,533</u>	<u>\$ 2,732,166</u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

FUNCTIONS/PROGRAMS	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities								
Instruction	\$ 5,292,531	\$ -	2,217,962	\$ -	\$ (3,074,569)	\$	(3,074,569)	
Support services:								
Student	356,767	-	45,203	-	(311,564)		(311,564)	
Instruction staff	440,384	-	37,454	-	(402,930)		(402,930)	
District administrative	446,343	-	30,040	-	(416,303)		(416,303)	
School administrative	454,187	-	56,287	-	(397,900)		(397,900)	
Business	296,255	-	24,510	-	(271,745)		(271,745)	
Plant operation and maintenance	701,241	-	29,455	-	(671,786)		(671,786)	
Student transportation	156,078	-	8,973	-	(147,105)		(147,105)	
Community service activities	126,863	-	-	-	(126,863)		(126,863)	
Other	(56,790)	-	-	-	56,790		56,790	
Interest on long-term debt	123,465	-	-	-	(123,465)		(123,465)	
Total governmental activities	8,337,324	-	2,449,884	-	(5,887,440)	-	(5,887,440)	
Business-type Activities								
Food service	478,615	83,462	510,320	-	-	115,167	115,167	
Day Care	142,561	57,080	70,855	-	-	(14,626)	(14,626)	
Total business-type activities	621,176	140,542	581,175	-	-	100,541	100,541	
Total school district	\$ 8,958,500	\$ 140,542	\$ 3,031,059	\$ -	(5,887,440)	100,541	(5,786,899)	
General Revenues								
Property taxes					1,321,602	-	1,321,602	
Motor vehicle taxes					152,458	-	152,458	
Investment earnings					8,590	353	8,943	
State aid formula grants					4,914,394	-	4,914,394	
Miscellaneous					32,627	-	32,627	
Transfers					32,592	(32,592)	-	
Total general revenues and transfers					6,462,263	(32,239)	6,430,024	
Change in net assets					574,823	68,302	643,125	
Net assets - beginning					1,972,810	116,231	2,089,041	
Net assets - ending					\$ 2,547,633	\$ 184,533	\$ 2,732,166	

DAYTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Special Revenue	Non-major Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 221,555	\$ -	\$ 244,315	\$ 465,870
Receivables				
Taxes	64,798	-	-	64,798
Accounts	42,314	-	-	42,314
Intergovernmental	5,698	250,753	-	256,451
Other local	-	-	-	-
Prepaid expenses	2,726	-	-	2,726
Total assets	<u>\$ 337,091</u>	<u>\$ 250,753</u>	<u>\$ 244,315</u>	<u>\$ 832,159</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Fund cash overdraft	\$ -	\$ 201,499	\$ -	\$ 201,499
Accounts payable	16,001	36,191	39,800	91,992
Accrued salaries and benefits	625	-	-	625
Deferred revenue	-	13,063	-	13,063
Total liabilities	<u>16,626</u>	<u>250,753</u>	<u>39,800</u>	<u>307,179</u>
Fund Balances				
Reserved for:				
Prepaid expenses	2,726	-	-	2,726
Accrued sick leave	50,000	-	-	50,000
Capital projects	-	-	204,463	204,463
Debt service	-	-	52	52
Unreserved	267,739	-	-	267,739
Total fund balances	<u>320,465</u>	<u>-</u>	<u>204,515</u>	<u>524,980</u>
Total liabilities and fund balances	<u>\$ 337,091</u>	<u>\$ 250,753</u>	<u>\$ 244,315</u>	<u>\$ 832,159</u>
Reconciliation to the Statement of Net Assets:				
Total governmental fund balances				\$ 524,980
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:				
	Cost		9,662,664	
	Accumulated depreciation		(5,255,620)	4,407,044
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in government funds:				
	Debt		(2,268,322)	
	Accrued sick leave		(198,284)	(2,466,606)
Accrued interest on long-term debt				(16,290)
Cost of issuance of debt, premiums and discounts are currently expensed for governmental funds and are carried as deferred in the statement of net assets				98,505
Total net assets - governmental activities				<u>\$ 2,547,633</u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Special Revenue	Non-major Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources				
Property taxes	\$ 1,228,470	\$ -	\$ 93,132	\$ 1,321,602
Motor vehicle taxes	152,458	-	-	152,458
Earnings on investments	7,963	-	627	8,590
Other local sources	23,425	-	-	23,425
State sources				
SEEK	4,456,124	-	294,266	4,750,390
Other	-	393,367	164,004	557,371
Federal - indirect	11,479	934,625	-	946,104
Other revenues	9,001	-	-	9,001
On behalf payments - state	1,110,413	-	-	1,110,413
Total revenues	<u>6,999,333</u>	<u>1,327,992</u>	<u>552,029</u>	<u>8,879,354</u>
Expenditures				
Instruction	4,178,295	1,027,627	-	5,205,922
Support services				
Student	351,184	2,930	-	354,114
Instruction staff	305,227	135,068	-	440,295
District administration	443,889	-	-	443,889
School administration	452,930	-	-	452,930
Business	257,602	37,394	-	294,996
Plant operation and maintenance	611,014	110	85,188	696,312
Student transportation	119,031	11,400	-	130,431
Community service activities	800	126,063	-	126,863
Debt service				
Principal	38,163	-	1,553,000	1,591,163
Interest	11,605	-	111,120	122,725
Other	-	-	41,715	41,715
Capital outlay	-	-	-	-
Total expenditures	<u>6,769,740</u>	<u>1,340,592</u>	<u>1,791,023</u>	<u>9,901,355</u>
Excess (deficit) of revenues over/(under) expenditures	<u>229,593</u>	<u>(12,600)</u>	<u>(1,238,994)</u>	<u>(1,022,001)</u>
Other Financing Sources (Uses)				
Bond proceeds	-	-	1,290,000	1,290,000
Sale of equipment	200	-	-	200
Operating transfers in	32,592	13,000	236,808	282,400
Operating transfers out	(13,000)	-	(236,808)	(249,808)
Total other financing sources (uses)	<u>19,792</u>	<u>13,000</u>	<u>1,290,000</u>	<u>1,322,792</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>249,385</u>	<u>400</u>	<u>51,006</u>	<u>300,791</u>
Fund balance, July 1, 2008	<u>71,080</u>	<u>(400)</u>	<u>153,509</u>	<u>224,189</u>
Fund balance, June 30, 2009	<u>\$ 320,465</u>	<u>\$ -</u>	<u>\$ 204,515</u>	<u>\$ 524,980</u>

See accompanying notes to basic financial statements.

<p>DAYTON INDEPENDENT SCHOOL DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2009</p>

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balance - total governmental funds	\$ 300,791
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$235,086) exceeds capital outlay (\$29,455) in the current period.	(205,631)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and the issuance of new debt is an income source in the governmental funds and increases long-term liabilities in the statements of net assets.	325,834
Accrued interest on long-term debt is reported in the government wide financial statements, but not reported in governmental funds.	(739)
Accrued long-term sick leave change.	56,063
Government funds report the effect of issuance cost, premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	<u>98,505</u>
Change in net assets of governmental activities.	\$ <u><u>574,823</u></u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

ASSETS	<u>Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 66,764	\$ -	\$ 66,764
Other receivables-intergovernmental	15,486	10,791	26,277
Inventories	5,486	-	5,486
Total current assets	<u>87,736</u>	<u>10,791</u>	<u>98,527</u>
Noncurrent Assets			
Bldgs and improvements	117,379	47,900	165,279
Machinery and equipment	156,021	698	156,719
Less: Accumulated depreciation	(195,127)	(37,452)	(232,579)
Total noncurrent assets	<u>78,273</u>	<u>11,146</u>	<u>89,419</u>
Total assets	<u>166,009</u>	<u>21,937</u>	<u>187,946</u>
LIABILITIES			
Current Liabilities			
Fund cash overdraft	-	3,413	3,413
Accounts payable	-	-	-
Total current liabilities	<u>-</u>	<u>3,413</u>	<u>3,413</u>
Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>3,413</u>	<u>3,413</u>
NET ASSETS			
Invested in capital assets, net of related debt	78,273	11,146	89,419
Restricted for:			
Other	-	-	-
Unrestricted	<u>87,736</u>	<u>7,378</u>	<u>95,114</u>
Total net assets	<u>\$ 166,009</u>	<u>\$ 18,524</u>	<u>\$ 184,533</u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Food Service Fund	Day Care Fund	Total
Operating Revenues			
Food service sales	\$ 83,462	\$ -	\$ 83,462
Other operating revenues	-	57,080	57,080
Total operating revenues	<u>83,462</u>	<u>57,080</u>	<u>140,542</u>
Operating Expenses			
Salaries and wages	182,019	98,716	280,735
Employee benefits	64,397	28,720	93,117
Purchased professional and technical services	2,400	-	2,400
Purchased property services	2,209	789	2,998
Other purchased services	668	418	1,086
Supplies and materials	220,069	9,321	229,390
Depreciation	4,808	1,097	5,905
Other operating expenses	2,045	3,500	5,545
Total operating expenses	<u>478,615</u>	<u>142,561</u>	<u>621,176</u>
Operating income (loss)	<u>(395,153)</u>	<u>(85,481)</u>	<u>(480,634)</u>
Nonoperating revenues (expenses)			
Federal grants	453,917	-	453,917
State grants	5,586	55,772	61,358
Federal commodities	23,069	-	23,069
Interest income	353	-	353
Transfers out	(32,592)	-	(32,592)
On behalf payments	27,748	15,083	42,831
Total nonoperating revenues (expenses)	<u>478,081</u>	<u>70,855</u>	<u>548,936</u>
Net income (loss)	<u>82,928</u>	<u>(14,626)</u>	<u>68,302</u>
Total net assets, July 1, 2008	83,081	33,150	116,231
Total net assets, June 30, 2009	\$ <u>166,009</u>	\$ <u>18,524</u>	\$ <u>184,533</u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Food Service Fund	Day Care Fund	Total
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 83,462	\$ -	\$ 83,462
Cash received from other activities	-	57,080	57,080
Cash payments to employees for services	(218,668)	(112,353)	(331,021)
Cash payments to suppliers for goods and services	(201,187)	(19,092)	(220,279)
Cash payments for other operating activities	(7,900)	(3,919)	(11,819)
Net cash from operating activities	<u>(344,293)</u>	<u>(78,284)</u>	<u>(422,577)</u>
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	-	-	-
Net cash from capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities			
Nonoperating grants received	463,912	51,491	515,403
Interest	353	-	353
Transfers in	-	-	-
Transfers out	(32,592)	-	(32,592)
Net cash from noncapital financing activities	<u>431,673</u>	<u>51,491</u>	<u>483,164</u>
Net increase in cash and cash equivalents	87,380	(26,793)	60,587
Cash and cash equivalents - beginning	(20,616)	23,380	2,764
Cash and cash equivalents - ending	<u>\$ 66,764</u>	<u>\$ (3,413)</u>	<u>\$ 63,351</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (367,405)	\$ (70,398)	\$ (437,803)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	4,808	1,097	5,905
Changes in assets and liabilities:			
Accounts receivable	(578)	-	(578)
Inventory	(4,187)	(8,983)	(13,170)
Accounts payable	-	-	-
Commodities received	23,069	-	23,069
Net Cash Provided by Operating Activities	<u>\$ (344,293)</u>	<u>\$ (78,284)</u>	<u>\$ (422,577)</u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Cash and cash equivalents	\$ 131,925
Accounts receivable	9,037
Total current assets	<u>140,962</u>
Total assets	<u>140,962</u>
LIABILITIES	
Accounts payable	23,645
Due to student groups	117,317
Total liabilities	<u>140,962</u>
NET ASSETS	\$ <u><u>-</u></u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Dayton Independent School District, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the District are described below.

REPORTING ENTITY

The Dayton Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Dayton Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Dayton Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. These funds are not significant to the operations of the District.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Dayton Independent School District Finance Corporation - On April 19, 1989, the Dayton Independent Board of Education resolved to authorize the establishment of the Dayton Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Dayton Independent School District also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identified the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

1. Governmental Fund Types

(A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

2. Proprietary Fund Types (Enterprise Fund)

- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service Fund is a major fund.
- B. The Day Care Fund is used to account for school age childcare and teen-mom daycare which is for teachers and students who are parents.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

3. Fiduciary Fund Type (Agency Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in

DAYTON INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009
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the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the District. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$.812 per \$100 valuation for real property, \$.823 per \$100 valuation for business personal property and \$.859 per \$100 valuation for motor vehicles.

Capital Assets

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in their respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values

DAYTON INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009
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as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	25-50 years
Land improvements	20 years
Technology equipment	5-10 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	20 years
Musical instruments	10 years
Grounds equipment	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Principles

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

DAYTON INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009
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Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The Food Service Fund inventories are stated at cost or at fair market value on the date of donation for donated commodities .

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

As of June 30, 2009, the long-term debt of the financial reporting entity consisted of the following:

Capital lease obligations	
Current portion	\$ 365,169
Non-current portion	1,903,153
	<u>\$ 2,268,322</u>

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for fixed assets, accrued sick leave and debt service reserves.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

DAYTON INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009
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Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the school and charges for day care services provided to parents. Expenses are primarily payroll, food costs, and supply purchases. Non-operating revenues are those revenues not directly from the primary activity, such as grants or transfers.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Restricted Revenues

When there are restricted and unrestricted revenues in a program, the District's policy is the restricted revenues are expended first.

NOTE B – DEPOSITS AND INVESTMENTS

As of June 30, 2009, the District held no investments:

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2009, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 160,725	\$ -	\$ -	\$ 160,725
Construction in progress	-	-	-	-
	<u>160,725</u>	<u>-</u>	<u>-</u>	<u>160,725</u>
Other capital assets:				
Land Improvements	99,757	-	-	99,757
Buildings & Building Improvements	7,914,259	-	-	7,914,259
Technology Equipment	1,058,752	18,123	(166,142)	910,733
Vehicles	490,486	-	(84,639)	405,847
General Equipment	162,021	11,332	(2,010)	171,343
TOTALS AT HISTORICAL COST	<u>9,886,000</u>	<u>29,455</u>	<u>(252,791)</u>	<u>9,662,664</u>
LESS ACCUMULATED DEPRECIATION:				
Land Improvements	59,504	2,367	-	61,871
Buildings & Building Improvements	3,853,586	148,748	-	4,002,334
Technology Equipment	925,743	44,371	(166,142)	803,972
Vehicles	301,329	28,746	(84,639)	245,436
General Equipment	133,163	10,854	(2,010)	142,007
TOTAL ACCUMULATED DEPRECIATION	<u>5,273,325</u>	<u>235,086</u>	<u>(252,791)</u>	<u>5,255,620</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 4,612,675</u>	<u>\$ (205,631)</u>	<u>\$ -</u>	<u>\$ 4,407,044</u>
BUSINESS-TYPE ACTIVITIES				
Buildings & Building Improvements	\$ 165,279	\$ -	\$ -	\$ 165,279
Technology Equipment	1,848	-	-	1,848
Vehicles	-	22,000	-	22,000
General Equipment	141,351	-	(8,480)	132,871
TOTALS AT HISTORIC COST	<u>308,478</u>	<u>22,000</u>	<u>(8,480)</u>	<u>321,998</u>
LESS ACCUMULATED DEPRECIATION:				
Buildings & Building Improvements	95,787	3,306	-	99,093
Technology Equipment	1,580	140	-	1,720
Vehicles	-	22,000	-	22,000
General Equipment	115,786	2,461	(8,480)	109,767
TOTAL ACCUMULATED DEPRECIATION	<u>213,153</u>	<u>27,907</u>	<u>(8,480)</u>	<u>232,580</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 95,325</u>	<u>\$ (5,907)</u>	<u>\$ -</u>	<u>\$ 89,418</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 192,748
Student Support Services	2,653
Staff	89
District Administration	1,970
School Administration	1,257
Business Support Services	1,259
Plant Operation & Maintenance	8,979
Student Transportation	25,647
Central Office	484
TOTAL	<u>\$ 235,086</u>

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Dayton Independent School District Finance Corporation aggregating \$1,910,000.

The original amount of each issue, the issue date, and interest rates are summarized below.

Issue Date	Principal	Rates
March 1, 1998	\$ 1,590,000	3.90% - 4.65%
November 1, 2004	\$ 645,000	2.00% - 3.75%
February 1, 2009	\$ 1,290,000	2.10% - 3.50%

The District, through the General Fund and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by Dayton Independent School District Finance Corporation to construct school facilities. The district has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District Finance Corporation has issued their bonds in connection with the Kentucky School Facilities Construction Commission (the Commission). Although the Board, under the lease arrangement is obligated to pay the full amount of the lease obligation, the Board has entered into the obligation in reliance upon a participation agreement by and between the Board and the Commission, whereby the Commission has agreed to pay annually a set percentage of each obligation.

A summary of obligations under capital leases is as follows:

	7/1/08	Issued	Retired	6/30/09	Due within One Year
Bonds under capital lease	\$ 2,165,000	\$ 1,290,000	\$ (1,545,000)	\$ 1,910,000	\$ 320,000
KISTA leases	398,509	-	(46,163)	352,346	39,193
Computer lease	30,647	-	(24,671)	5,976	5,976
	<u>\$ 2,594,156</u>	<u>\$ 1,290,000</u>	<u>\$ (1,615,834)</u>	<u>\$ 2,268,322</u>	<u>\$ 365,169</u>

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, at June 30, 2009 for debt service (principal and interest) are as follows:

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

Year	Bonds		Interest		Total
	Dayton	K.S.F.C.C.	Dayton	K.S.F.C.C.	
2009-2010	\$ 192,281	\$ 127,719	\$ 36,056	\$ 23,429	\$ 379,485
2010-2011	165,725	104,275	29,927	19,649	319,576
2011-2012	102,446	67,554	25,785	17,235	213,020
2012-2013	110,673	69,327	22,785	15,465	218,250
2013-2014	108,520	71,480	19,181	13,311	212,492
2015-2019	459,164	330,836	45,402	33,326	868,728
	\$ 1,138,809	\$ 771,191	\$ 179,136	\$ 122,415	\$ 2,211,551

Kentucky Interlocal School Transportation Association (KISTA)

In September, October, and December 1999, and January 2004, 2006 and 2008 the Board entered into lease agreements with KISTA for the lease of school buses and financing of various capital improvements. The leases are renewable annually and can be canceled by the Board. Over the ten year lease terms, the Board will pay principal and interest in the amount of \$193,093, \$283,244, \$107,122, \$78,837, \$95,014, and \$108,728. Interest rates vary from 3.00% to 5.70%.

The minimum future rental payments as of June 30, 2009 are as follows:

	<u>09/01/99</u>	<u>10/01/99</u>	<u>01/01/04</u>	<u>01/01/06</u>	<u>01/01/08</u>	<u>Total</u>
2010	\$ 9,995	\$ 14,981	\$ 7,888	\$ 9,509	\$ 12,642	\$ 55,015
2011	9,686	14,512	7,872	9,516	10,874	52,460
2012	9,362	14,036	7,891	9,505	10,850	51,644
2013	10,038	14,558	6,570	9,485	10,853	51,504
2014	9,660	14,014	-	-	-	23,674
2015-2019	<u>48,154</u>	<u>72,852</u>	<u>6,562</u>	<u>25,330</u>	<u>50,872</u>	<u>203,770</u>
	96,895	144,953	36,783	63,345	96,091	438,067
Less amounts representing interest	<u>(23,895)</u>	<u>(35,953)</u>	<u>(3,247)</u>	<u>(8,254)</u>	<u>(14,372)</u>	<u>(85,721)</u>
Total	<u>\$ 73,000</u>	<u>\$ 109,000</u>	<u>\$ 33,536</u>	<u>\$ 55,091</u>	<u>\$ 81,719</u>	<u>\$ 352,346</u>

DAYTON INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009
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Leases

The Board leases copiers with varying periods and monthly payments.

Minimum future rentals as of June 30, 2009 are as follows:

Year Ending June 30	Copier Leases	Computer Leases
2010	\$ 44,495	\$ 6,448
2011	44,308	-
2012	18,136	-
2013	3,190	-
	<u>\$ 110,129</u>	<u>\$ 6,448</u>

The computer leases are deemed to be a lease-purchase arrangement, whereby the total computer costs are capitalized in the entity-wide financial statements, with a related liability. The above lease payments consist of \$472 in interest costs.

NOTE E – ACCRUED SICK LEAVE

Employees earn 10 days of sick leave each year and can accrue them without limitations. In addition, two emergency days and one personal day not used at the end of the year can be added to sick days. Upon retirement, (with 27 years of service), unused sick days are paid at the rate of 30% of daily salary. At June 30, 2009, this liability was \$198,284 which is recorded as a long-term liability on the district-wide financial statements. The amount estimated as accrued leave for eligible future retirees totaled \$50,000 and is shown as a reservation of fund balance in the governmental funds financial statements.

NOTE F – RETIREMENT PLANS

Plan Description and Funding Policy

Certified employees are covered under the Kentucky Teachers Retirement Systems (KTRS), a multiple employer, public employees retirement system (PERS). Funding for the plan is provided through payroll withholdings of 9.855% and 10.855% for hires after 7/1/08 and matching state contributions. The matching contributions are paid by the federal program for any salaries paid by that program at a rate of 13.105% and 14.105% for hires after 7/1/08.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5.00% and 6% for hires after 9/1/08 and a District contribution of 13.50% and 14.50% for hires after 9/1/08 of the employee's total compensation subject to contribution.

The plans provide for retirement, disability, and death benefits to plan members, and under certain circumstances to plan member beneficiaries.

Participating employers are required to contribute at an actuarially determined rate. Normal contributions and past service rates are determined by the Board of the plans based upon an annual valuation.

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

The District's contribution requirement for CERS for the year ended June 30, 2009, was \$150,021, \$210,421 in 2008 and \$160,473 in 2007. The District has a contribution requirement to KTRS of \$79,346 for 2009, \$78,623 for 2008 and \$76,851 for 2007. The contributions represented 100% of the required contributions.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The retirement systems issued publicly available annual financial reports that include financial statements and required supplementary information. The reports may be obtained from the retirement systems by contacting their operating headquarters in Frankfort, Kentucky.

NOTE G – CONTINGENCIES

The District receives funding from the federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE H – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District participates in the Kentucky School Boards Insurance Trust. This public entity risk pool operates as common risk management and insurance programs for school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE J – DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance or net assets:

Day Care Fund	\$	(14,626)
Construction Fund	\$	(325)
Dayton High School	\$	(1,750)

NOTE K – INTERFUND TRANSACTIONS

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 13,000
Operating	Food Service	General	Operations	\$ 32,592

NOTE L – ANNUAL FINANCIAL REPORT DIFFERENCES

The following is a reconciliation of the June 30, 2009 net income (loss) reported in the District's Annual Financial Report with that shown in the accompanying financial statements:

	Food Service Fund	Day Care Fund
Net Income (Loss) as reported to the Department of Education	\$ 81,677	\$ (14,745)
Adjustment to cash, accounts receivable, and accounts payable	1,871	1,216
Adjustment to inventory	4,188	-
Capital purchases	-	-
Depreciation	(4,808)	(1,097)
Net Income (Loss) as reported in accompanying financial statements	<u>\$ 82,928</u>	<u>\$ (14,626)</u>

DAYTON INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009
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The following is a reconciliation of the June 30, 2009 excess revenues and other sources over expenditures and other uses reported in the District's Annual Financial Report with that shown in the accompanying financial statements:

		General Fund
Excess (Deficiency) of Revenue over Expenditures		
as reported to the Department of Education	\$	203,095
Additional accounts receivable		<u>46,290</u>
Excess (Deficiency) of revenue over expenditures		
as reported in accompanying financial statements	\$	<u><u>249,385</u></u>

NOTE M – COMMITMENTS

On July 16, 2009 bond proceeds were delivered in the amount of \$1,925,787 for the sale of the \$1,990,000 Dayton Independent School District Finance Corporation School Building Revenue Bonds, Series 2009B. The bond proceeds are committed for high school and elementary school building renovations, which began in June, 2009.

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SUPPLEMENTAL SCHEDULES AND INFORMATION

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 1,342,891	\$ 1,342,891	\$ 1,380,928	\$ 38,037
Earnings on investments	20,000	20,000	7,963	(12,037)
Other local sources	18,530	18,530	23,425	4,895
State sources	4,743,247	4,743,247	4,456,124	(287,123)
Other revenues	-	-	20,480	20,480
On-behalf payments	-	-	1,110,413	1,110,413
TOTAL REVENUES	<u>6,124,668</u>	<u>6,124,668</u>	<u>6,999,333</u>	<u>874,665</u>
EXPENDITURES:				
Instructional	3,576,550	3,560,237	4,178,295	(618,058)
Student Support Services	305,289	305,289	351,184	(45,895)
Staff Support Services	277,964	277,964	305,227	(27,263)
District Administration	372,899	402,331	443,889	(41,558)
School Administration	396,632	396,632	452,930	(56,298)
Business Support Services	195,445	195,445	257,602	(62,157)
Plant Operation & Maintenance	713,057	700,557	611,014	89,543
Student Transportation	143,672	143,672	119,031	24,641
Community Service Operations	700	700	800	(100)
Debt Service - Other	49,859	49,859	49,768	91
Capital Outlay	-	-	-	-
Contingency	171,468	171,468	-	171,468
TOTAL EXPENDITURES	<u>6,203,535</u>	<u>6,204,154</u>	<u>6,769,740</u>	<u>(565,586)</u>
Excess (deficit) of revenues over expenditures	<u>(78,867)</u>	<u>(79,486)</u>	<u>229,593</u>	<u>309,079</u>
Other Financing Sources (Uses)				
Sale of equipment	-	-	200	200
Operating transfers in	-	-	32,592	32,592
Operating transfers out	<u>(13,000)</u>	<u>(13,000)</u>	<u>(13,000)</u>	-
Total other financing sources (uses)	<u>(13,000)</u>	<u>(13,000)</u>	<u>19,792</u>	<u>32,792</u>
Net change in fund balance	(91,867)	(92,486)	249,385	341,871
Fund balance, July 1, 2008	91,867	71,080	71,080	-
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ (21,406)</u>	<u>\$ 320,465</u>	<u>\$ 341,871</u>

Note: On-behalf payments totaling \$1,110,413 are not budgetary accounts and are equally different in revenues and expenditures.

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year Ended June 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	\$ 1,500	\$ 2,500	\$ -	\$ (2,500)
State Sources	545,289	397,843	393,367	(4,476)
Federal Sources	802,126	1,223,911	934,625	(289,286)
TOTAL REVENUES	1,348,915	1,624,254	1,327,992	(296,262)
EXPENDITURES:				
Instructional	1,045,332	1,226,564	1,027,627	198,937
Student Support Services	-	9,500	2,930	6,570
Staff Support Services	141,282	198,087	135,068	63,019
District Administration Support	-	-	-	-
Business Support Services	38,955	65,824	37,394	28,430
Plant Operation and Management	2,000	300	110	190
Student Transportation	5,082	4,916	11,400	(6,484)
Community Services	129,264	126,063	126,063	-
Debt Service	-	6,000	-	6,000
Contingency	-	-	-	-
TOTAL EXPENDITURES	1,361,915	1,637,254	1,340,592	296,662
EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(13,000)	(13,000)	(12,600)	400
OTHER FINANCING SOURCES (USES):				
Operating transfers in	13,000	13,000	13,000	-
Operating transfers out (debt service)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	13,000	13,000	13,000	-
NET CHANGE IN FUND BALANCE	-	-	400	400
FUND BALANCES-BEGINNING	-	-	(400)	\$ (400)
FUND BALANCES-ENDING	\$ -	\$ -	\$ -	\$ -

DAYTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Capital Project Funds				Total
	Construction Fund	FSPK Building Fund	SEEK Capital Outlay Fund	Debt Service Fund	Non-major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,498	\$ 173,096	\$ 26,869	\$ 39,852	\$ 244,315
Total assets	<u>\$ 4,498</u>	<u>\$ 173,096</u>	<u>\$ 26,869</u>	<u>\$ 39,852</u>	<u>\$ 244,315</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 39,800	\$ 39,800
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,800</u>	<u>\$ 39,800</u>
Fund Balances					
Reserved for:					
Capital projects	4,498	173,096	26,869	-	204,463
Debt service	-	-	-	52	52
Unreserved	-	-	-	-	-
Total fund balances	<u>4,498</u>	<u>173,096</u>	<u>26,869</u>	<u>52</u>	<u>204,515</u>
Total liabilities and fund balances	<u>\$ 4,498</u>	<u>\$ 173,096</u>	<u>\$ 26,869</u>	<u>\$ 39,852</u>	<u>\$ 244,315</u>

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Capital Project Funds				Total
Revenues	Construction Fund	FSPK Building Fund	SEEK Capital Outlay Fund	Debt Service Fund	Non-major Governmental Funds
From local sources					
Property taxes	\$ -	\$ 93,132	\$ -	\$ -	\$ 93,132
Earnings on investments	-	-	-	627	627
State sources					
SEEK	-	209,403	84,863	-	294,266
Other	-	-	-	164,004	164,004
Total revenues	<u>-</u>	<u>302,535</u>	<u>84,863</u>	<u>164,631</u>	<u>552,029</u>
Expenditures					
Purchased property services	325	-	43,588	-	43,913
Plant operation and maintenance	-	-	41,275	-	41,275
Debt service					
Principal	-	201,835	-	1,351,165	1,553,000
Interest	-	49,369	-	61,751	111,120
Other	-	-	-	41,715	41,715
Total expenditures	<u>325</u>	<u>251,204</u>	<u>84,863</u>	<u>1,454,631</u>	<u>1,791,023</u>
Excess (deficit) of revenues over expenditures	<u>(325)</u>	<u>51,331</u>	<u>-</u>	<u>(1,290,000)</u>	<u>(1,238,994)</u>
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	1,290,000	1,290,000
Operating transfers in	-	-	-	236,808	236,808
Operating transfers out	-	-	-	(236,808)	(236,808)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,290,000</u>	<u>1,290,000</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(325)</u>	<u>51,331</u>	<u>-</u>	<u>-</u>	<u>51,006</u>
Fund balance, July 1, 2008	<u>4,823</u>	<u>121,765</u>	<u>26,869</u>	<u>52</u>	<u>153,509</u>
Fund balance, June 30, 2009	<u>\$ 4,498</u>	<u>\$ 173,096</u>	<u>\$ 26,869</u>	<u>\$ 52</u>	<u>\$ 204,515</u>

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DAYTON HIGH SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2009

Fund Accounts	Cash Balances July 1, 2008	Receipts	Disbursements	Net Transfers	Cash Balances June 30, 2009	Accounts Receivable June 30, 2009	Accounts Payable June 30, 2009	Fund Balances June 30, 2009
Annual	\$ 1,518	\$ 2,408	\$ 519	\$	\$ 3,407	\$	\$	\$ 3,407
Art Club	268	447	371		344			344
Band	34	1,111	805		340			340
C.A.K.E.	2,109	9,234	7,138		4,205			4,205
Class of 2008	213	-	97		116			116
Class of 2009	298	117	102		313			313
Class of 2010	879	5,201	5,915	(50)	115			115
Class of 2011	28	1,105	598		535			535
Coke	2,825	2,736	1,133		4,428			4,428
Dayton Textbook Fund	-	3,835	4,215	380	-			-
English Department	80	53	-	6	139			139
FBLA	190	-	-		190			190
FCCLA	611	-	-		611			611
Green Zone	979	550	126		1,403			1,403
High School Student Council	183	-	85		98			98
Home Economics	248	105	309	30	74			74
Industrial Arts	472	895	967	72	472			472
Lance	2,166	-	-		2,166			2,166
Library	1,214	85	10		1,289			1,289
Math Department	3,053	3,822	3,135	1	3,741			3,741
Middle School Book Store	23	-	-		23			23
Middle School Science Club	1,099	558	186	100	1,571			1,571
Middle School Science Department	-	5,000	-		5,000			5,000
Middle School Student Council	12	-	-		12			12
National Honor Society	169	72	96		145			145
Postage and Stationery	4,354	-	3,421		933			933
Principals Account	1,996	6,256	3,031		5,221			5,221
Project Prom	887	2,856	3,220	657	1,180		(172)	1,008
Scholarships	31,499	14,790	16,633	750	30,406		(16,000)	14,406
Science Dept.	3,988	898	188	88	4,786			4,786
Senior Trip	2,611	9,353	11,875	(19)	70			70
Seventh Grade Knights	263	631	576		318			318
Eighth Grade Titans	424	678	628		474			474
Senior Banquet	663	500	475		2,915			2,915
General	6,112	2,698	6,624	2,227	1,787			3,973
Athletics	16,520	68,733	83,099	2,356	4,510		(403)	4,107
Athletic FR - Football	14,096	11,456	19,241	150	6,461			9,580
Athletic FR - Volleyball	2,073	6,863	7,534	832	2,234			2,234
Athletic FR - Cross Country	1,034	4,529	3,347	(300)	1,916			1,916
Athletic FR - Cheerleading	2,757	10,001	9,973	755	3,540		(2,420)	1,120
Athletic FR - Boys Basketball	3,320	17,775	16,260	1,913	7,348		(4,650)	8,616
Athletic FR - Girls Basketball	954	4,185	5,550	3,250	2,839			2,839
Athletic FR - Baseball	1,560	3,904	3,374		2,090			2,090
Athletic FR - Softball	2,477	3,044	3,477		2,044			2,044
Athletic FR - Track	404	4,620	4,155		869			869
Athletic FR - Other	1,145	539		68	1,752			1,752
Athletic Tournaments	-	17,390	10,642	(6,748)	-			-
Athletic Booster Accounts	-	10,933	2,586	(8,305)	42			42
TOTALS	\$ 118,408	\$ 239,966	\$ 241,716	\$ -	\$ 116,658	\$ 9,037	\$ (23,645)	\$ 102,050

See accompanying notes to basic financial statements.

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
LINCOLN ELEMENTARY SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2009

Fund Accounts	Cash Balances July 1, 2008	Receipts	Disbursements	Cash Balances June 30, 2009	Accounts Receivable June 30, 2009	Accounts Payable June 30, 2009	Fund Balances June 30, 2009
Total Funds	\$ 14,007	\$ 41,777	\$ 40,518	\$ 15,266	\$ -	\$ -	\$ 15,266

DAYTON INDEPENDENT BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantors Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture			
Food Distribution (non-cash transactions)	10.550	2019	\$ 33,899
Passed Through State Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	*	10.553 7760005 09	114,593
National School Lunch Program	*	10.555 7750002 09	301,224
Summer Food Service Program for Children	*	10.559 7740023 08	38,100
			<u>453,917</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>487,816</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
Title1-Grants to Local Educational Agencies	*	84.010 3100002 08	\$ 382,664
Special Education Cluster			
Grants to States (IDEA, Part B)		84.027 3810002 08	269,565
Preschool Grants (IDEA Preschool)		84.173 3800002 08	33,071
Idea B, ARRA Preschool		84.391	6,976
Idea B, ARRA		84.392	46,891
			<u>356,503</u>
Perkins Vocational		84.048 4620832 07	252
Perkins Vocational		84.048 4620932 08	15,251
Safe and Drug Free Schools and Communities (Title IV)		84.186 3410002 08	4,974
21st Century Community Learning Centers		84.287 3400002 08	16,069
21st Century Community Learning Centers		84.287 3400002 07	54,183
21st Century Community Learning Centers		84.287 3400002 06	6,826
Education Technology State Grants (Ed Tech)		84.318 3210002 08	3,863
Improving Teacher Quality State Grants		84.367 3230002 08	92,726
Norm Reference Testing		84.369 3900001 07	540
TOTAL DEPARTMENT OF EDUCATION			\$ <u>933,851</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>1,421,667</u>

Notes to Schedule of Expenditures of Federal Awards.

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Food distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

At June 30, 2009, the Board had federal food commodities totaling \$2,752 in inventory.

* Denotes major federal program.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Members of the Board of Education
Dayton Independent School District
Dayton, Kentucky**

**Kentucky State Committee for School District Audits
Frankfort, Kentucky**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dayton Independent School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the State Committee for School District Audits in Appendixes I, II and III of the Independent Auditor's Contract.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dayton Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dayton Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dayton Independent School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Dayton Independent School District's ability to initiate, authorize, record, process, or report financial

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data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Dayton Independent School District's financial statements that is more than inconsequential will not be prevented or detected by the Dayton Independent School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-01, 2009-02, and 2009-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Dayton Independent School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the items 2009-01, 2009-02 and 2009-03 to be material weaknesses; as described in the accompanying schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dayton Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-03.

In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract-State Audit Requirements that are required to be reported under state audit requirements.

We noted certain matters that we reported to management of Dayton Independent School District in a separate letter dated September 17, 2009

This report is intended solely for the information and use of management, others within the organization, Board Members, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

RANKIN, RANKIN & COMPANY

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**Ft. Wright, Kentucky
September 17, 2009**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

**Members of the Board of Education
Dayton Independent School District
Dayton, Kentucky**

**Kentucky State Committee for School District Audits
Frankfort, Kentucky**

Compliance

We have audited the compliance of Dayton Independent School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Dayton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dayton Independent School District's management. Our responsibility is to express an opinion on Dayton Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the State Committee for School District Audits in Appendixes I, II and III of the Independent Auditor's Contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dayton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dayton Independent School District's compliance with those requirements.

As described in item 2009-01 in the accompanying findings and questioned cost, the District does not comply with requirements regarding the District's participation in the Federal School Lunch Program for free and reduced lunch application verifications.



In our opinion, except for the noncompliance described in the preceding paragraph, Dayton Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Dayton Independent Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Dayton Independent Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A control deficiency in a Board's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-03 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Board's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2009-03 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be a significant deficiencies and material weaknesses.



This report is intended solely for the information and use of management, the members of the Dayton Independent Board of Education, others within the District, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company". The signature is written in black ink and is positioned below the company name.

**Ft. Wright, Kentucky
September 17, 2009**

DAYTON INDEPENDENT BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

There were no findings and questioned costs relative to the prior year major federal award programs audit.

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the District.
2. Material weaknesses relating to the audit of the financial statements of the District are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. Material weaknesses or significant deficiencies relating to the audit of the major federal awards programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for the District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Natiuonal School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Program	10.559
Title I	84.010

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The District was determined to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

REFERENCE NUMBER 2009-01

Criteria: A requirement of the federal National School Lunch Program is that the District must perform a test of free and reduced lunch applications to verify eligibility.

Condition: As part of the audit of the School Lunch Program, we noted that the verification process was not performed in a timely manner and complete documentation of all selected families was not located for examination.

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

Cause: The School Lunch Program supervisor did not realize this requirement was not completed and submitted to the state until notified by the state of non-submission.

Effect: The appropriate verification was performed after the required performance and submission dates. In additional documentation for some verifications was not located for review.

Recommendation: We recommend that the District develop a control to insure that the verification process is performed timely and that all documentation of the verification be retained in an organized manner and made available for the audit.

Management Response: Management of the District will review the required process with Lunch Program personnel and require that all procedures are properly adhered to.

REFERENCE NUMBER 2009-02

Criteria: The District is responsible for accurately accounting for reduced and free lunch and breakfast meals served on a daily basis and recording those counts on the appropriate state forms.

Condition: As part of the audit of the School Lunch Program, we noted that the cash register tapes that record the number of lunch and breakfast meals served to eligible free and reduced students were frequently charged before their recording on the appropriate state forms. The changes in counts were not large numbers, and some changes increased the count while others decreased the counts. The overall changes, for our tested items, does not appear to significantly alter the overall results. However, the changes to counts were not documented as to why the changes were made and what justified a specific number the count was changed by. In our interview with the School Lunch Supervisor, logical explanations were given for the changes, however, no specific documentation was available for review.

Effect: The design of the controls over the reporting process of the count of free and reduced meals served did not provide for adequate documentation of count adjustments.

Recommendation: We recommend that controls be put in place to adequately document any changes to participant counts.

Management Response: The District has purchased new software (Lunchbox) for control and management of free and reduced lunches served as well as managing lunch payments received.

REFERENCE NUMBER 2009-03

Criteria: The Daily Count and Cash Reconciliation form is utilized by the School Lunch Program to document daily cash received, meals served and other data relative to that day's food service activities. As a control over the proper

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

recording of the data on the form, the form requires two signatures, the preparer and a second party reviewer.

Condition: As a part of the audit, we noted that in some instances the second party signature was inconsistent in the writing of the signature. Through discussion with the School Lunch Supervisor, it is believed that the second party signature was not that of the second party.

Effect: The overriding of the second party signature requirement negated the internal control requirement of a second person verifying the data on the Daily Count and Cash Receipts form.

Recommendation: We recommend the above mentioned form be review as required by a second party and documented through a signature by that party.

Management Response: Management of the District will review the required process with Lunch Program personnel and require that all procedures are properly adhered to.

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**Members of the Board of Education
Dayton Independent School District
Dayton, Kentucky**

**Kentucky State Committee for School District Audits
Frankfort, Kentucky**

In planning and performing our audit of the financial statements of Dayton Independent School District for the year ended June 30, 2009, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 17, 2009 on the financial statements of the Dayton Independent Board of Education.

STATUS OF PRIOR YEAR RECOMMENDATIONS

We recommended that the Board consider reviewing its fixed assets records. This was a repeat recommendation.

Management Response: All fixed assets were reviewed and scanned. The fixed asset records were updated based upon the detail review and obsolete or disposed assets were deleted.

CURRENT YEAR RECOMMENDATIONS

In our review of free and reduced lunch applications, it was noted that there can be District employees who may apply. We recommend that for those applications of Board employees, a Central Office Supervisor be designated for reviewing the application as a control supporting the approval process. We believe this will add transparency to the process.

Management Response: The District will review such applications whenever they would be identified in the application process.

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Activity Fund (Dayton High and Lincoln Elementary)

We want to continually emphasize that because most financial activity is conducted by one individual (the Central Fund Treasurer), it is essential that school principals participate in the financial process by co-signing all checks and reviewing essential documentation such as bank reconciliations and invoices.

RANKIN, RANKIN & COMPANY

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**Ft. Wright, Kentucky
September 17, 2009**